WEEKLY ECONOMIC REVIEW

October 19, 2007

Alberta's annual inflation rate eased slightly from 4.7% in August to 4.6% in September - the lowest level since February 2007. A decline in natural gas prices and a deceleration in owned accommodation costs contributed to the decline. Canada's annual inflation rate rose to 2.5% in September from 1.7% in August, due to a low base gasoline price a year ago. The Bank of Canada's measurement of core CPI inflation[1] moderated to the target of 2.0% in September.

U.S. annual inflation jumped to 2.8% in September from 1.9% in August, on higher energy and food prices.

The Bank of Canada kept its target for the overnight rate unchanged at 4.5% on Tuesday. The Bank acknowledged that although the Canadian economy is operating above its production potential, "net exports will exert a more significant drag on the economy in 2008 and 2009" because of the combined effect of a stronger Canadian dollar and a weaker U.S. outlook.

Some indicators already point to a slowdown in exports. Canadian manufacturing shipments fell by 1.7% in August, mainly due to slumping U.S. demand for automobiles.

Following two months of declines, Alberta manufacturing shipments rose by 1.4% in August.

U.S. housing starts fell to a 14-year low in September, declining 10.2% from their August level.

A declining U.S dollar, winter supply concerns and tensions between Turkey and Iraq caused oil prices to soar this week, reaching a new all-time high of over US $89 per barrel.

The Canadian dollar surged to US¢103.8 on Friday, its highest level since June 1976. General weakness in the U.S. dollar, higher oil prices and a higher than expected Canadian CPI inflation rate contributed to the Canadian dollar's strong performance.

[1]Excludes the eight most volatile CPI components that cannot be offset by monetary policy.

Cdn Dollar (US¢/CS)	
October 19, 2007	103.8
October 12, 2007	102.7
2007-08 YTD	94.3
WTI Oil US$/bbl	
October 18, 2007	$ 89.47
October 11, 2007	$ 83.08
2007-08 YTD	$ 71.37
Nymex Natural Gas CS/MMBtu *	
November Contract	
October 19, 2007	$ 7.05
October 12, 2007	$ 6.68

*Estimate based on Nymex Futures Market Price

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month(Y/Y)	Year-to-date[2]
Consumer Price Index	**September**			
Alberta (2002=100)	119.4	0.1%	4.6%	5.0%
Canada (2002=100)	111.9	0.2%	2.5%	2.0%
United States (1982-1984=100)	208.3	0.3%	2.8%	2.5%
New Motor Vehicle Sales	**August**			
Alberta	22,104	-0.5%	1.1%	6.1%
Canada	143,606	2.8%	0.5%	2.9%
Manufacturing Shipments ($ Millions)				
Alberta	5,630	1.4%	-1.3%	0.8%
Canada	51,222	-1.7%	-0.4%	1.4%

Source: Statistics Canada, U.S. Census Bureau [2]Year-to-date 2007 compared to the same period in 2006